

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY

State Dept. review completed

WASHINGTON

SECRETOFFICE OF
THE DIRECTOR

August 18, 1981

TO: The Secretary

FROM: Eugene V. Rostow *EVR*

SUBJECT: Air Defense Enhancement Package for
Saudi Arabia

Section 42(a)(3) of the Arms Export Control Act requires that the Director of ACDA advise on the extent to which proposed arms sales might contribute to an arms race, or increase the possibility of outbreak or escalation of conflict, or prejudice the development of bilateral or multilateral arms control arrangements. ACDA has been involved in deliberations on the proposed sales of air defense enhancement items to Saudi Arabia since early 1980, when the United States Government committed the nation to sell such equipment to Saudi Arabia. Several of my predecessors have expressed their opinions on these sales. Since I assumed the duties of my office on June 30, 1981, officials of the agency under my direction have participated actively in the development of our policy with respect to the sale. I believe the statute requires me now to state my own views on the matter.

I.

In the perspective of the criteria of the Arms Export Control Act, the decision is by no means an easy one. If, however, we assume as we should that the goals of President Reagan's policy for the Middle East are to be attained, the strategic environment of the area must be transformed. A strong American and Allied military presence will be established, making it possible to rebuild Western influence in the region, and diminishing that of the Soviet Union. In that framework, it should be feasible to protect the vital Western interest in access to the oil and other resources of the region and to keep the Middle East a geopolitically open and peaceful transit area. Historically, Europe has always recognized the danger of allowing the Middle East to fall into hostile hands. Under contemporary circumstances, that strategic consideration applies as well to the interests of the United States, Japan and many other countries.

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Any American Government that allowed its oil supplies and those of its allies to be placed in jeopardy would invite the neutralization of Western Europe and Japan, the encirclement of China, and eventually its own isolation.

On these assumptions, I conclude that the sale of Air Defense Enhancement equipment to Saudi Arabia should help to stabilize the region and therefore diminish the pressures which have driven all the nations of the area to accumulate arms competitively; reduce the possibility that armed conflict would break out or escalate; and not prejudice the development of bilateral or multilateral arms control arrangements.

One can evaluate the proposed transaction in the light of the criteria specified in the statute only in its full factual setting.

The Soviet Union has been engaged for more than thirty years in an ambitious program of expansion in the Middle East, exploiting local and regional conflicts, and often inciting them, in order to enlarge its influence and that of its proxies. Its ultimate goal is to control the entire region, its space and its resources. One of the principal weapons of Soviet policy in this regard since the early 1950s has been to exacerbate Arab hostility to the existence of Israel; to stir up war after war against Israel; and to sabotage American and Allied efforts to achieve peace between Israel and its Arab neighbors in accordance with Security Council Resolutions 242 and 338 and their predecessors.

Since the time of President Truman, every President of the United States, with the full and repeated backing of the Congress, has declared that it is a vital national interest of the United States to prevent Soviet domination of the Middle East. The United States is committed by the Middle East Resolution of 1957, the Eisenhower Doctrine Resolution, as amended (71 Stat. 5), to use armed force as the President deems it necessary to protect the territorial integrity and political independence of all the states in the area against the aggressive policies of the Soviet Union. The guaranty of the Eisenhower Resolution has been invoked several times in behalf of Saudi Arabia, and American armed forces have been stationed there

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at intervals in order to deter the threat of armed attacks. The North Atlantic Council has also declared on several occasions that Soviet hegemony in the Middle East would threaten the security of NATO.

Since the fall of the Shah in Iran, the Soviet aggression against Afghanistan, and the consolidation of Soviet positions in southern Arabia and the Horn of Africa, the threat to Saudi Arabia has become more immediate and far more ominous. Saudi Arabia itself has a small population and a vast and difficult territory, protected by the smallest military force of any of the major countries of the region. In terms of both geography and of resources, it is of critical importance to the security of the NATO allies, Japan, and many other countries.

The recent history of Iran has taught us that we cannot rely on surrogates alone to safeguard the fundamental security interests of the United States. In the light of that truism, the United States is responding to the adverse turn in our strategic position in the Middle East. Negotiations are proceeding for military facilities in a number of countries of the region. A strong American and Allied presence in such facilities is indispensable to the possibility of success in our efforts to restore stability in the area. At the same time, the United States is seeking with increasing urgency to encourage the Arab nations of the area to follow Egypt's example and make peace with Israel, in conformity with the Security Council's mandatory Resolution No. 338, of October, 1973, -- a step of great importance in itself which would contribute immeasurably to the stabilization of the region.

The policy of Saudi Arabia has shown promising signs of change in this regard, including a statement by Prince Fahd on August 7, 1981, indicating a willingness under certain circumstances to make peace with Israel. The terms of that statement were not altogether consistent with the relevant Security Council Resolutions, but they were a promising step forward nonetheless. While Saudi Arabia has not yet formally declared its willingness to comply with Resolution 338, it has supported the Egyptian initiative to achieve a Nuclear Weapons Free Zone in the Middle East, which necessarily presumes the fulfillment

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of Resolution 338. Saudi Arabia has also taken a positive role in the recent diplomacy of the Middle East, cooperating with the United States on a number of important occasions.

Under President Reagan, the United States has taken a more active part in supporting the Egyptian initiative for negotiating a Treaty to establish a Middle Eastern Nuclear Weapons Free Zone. Israel has joined in that effort. The proposal has great promise, and the continued backing of Saudi Arabia is of the utmost importance.

Against this background, the strategic importance of Saudi Arabia to the United States is beyond question. The country does not possess the population or the industry on the basis of which it could hope to defend itself against regional rivals or the Soviet Union. The United States interest therefore is to assist Saudi Arabia in its own defense, at the same time making it clear that the United States is fully prepared to carry out its commitments to Saudi Arabia under the Eisenhower Doctrine Resolution, and to cooperate with Saudi Arabia in restoring and protecting the stability of the region.

II.

On these assumptions, it follows, I believe, that the proposed sales of the air defense enhancement items to Saudi Arabia are in the national interest of the United States. The topography of Saudi Arabia is such that the technology of AWACS is required to provide an early warning system for the huge area of the country. Saudi Arabian military cooperation with the United States and its allies in assuring the stability of the region and political cooperation in achieving peaceful settlements for its many conflicts are major premises of President Reagan's Middle Eastern policy. Taking that policy as the foundation for my judgment, I conclude that the proposed sale to Saudi Arabia could not accelerate the arms race in the region, but should contribute to its deceleration that it should diminish the prospect of armed conflict by strengthening the deterrent influence of United States policy; and that it should improve the prospects for bilateral or multilateral arms control arrangements, notably the Egyptian and Israeli proposal for a Middle East Nuclear Weapons Free Zone.

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ACDA STAFF PAPER:

Middle East Nuclear Weapon Free Zone and Other Middle East
Arms Control Issues

I. Purpose

This paper responds to the President's memorandum of December 22, 1981, which directed that a review of policy issues involved in United States approaches to arms transfer, arms control, non-proliferation and related matters in the Middle East be prepared for future NSC deliberation.

II. US Objectives in the Middle East

By hypothesis, United States approaches to arms transfer, arms control, non-proliferation and related matters in the Middle East should be designed to support United States interests and objectives in the region. A number of these objectives are mutually reinforcing. Sometimes, inevitably, the application of our policy goals in particular cases generates conflict or apparent conflict. The difficulty of reconciling conflicts among our policy goals in a number of situations gave rise to the present review of policy.

We start from the proposition that our major security objectives in the Middle East are as follows:

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1. Prevention of the spread of Soviet influence

For many centuries, it has been a vital security interest of Western Europe to prevent hostile domination of the Middle East. What was true in the age of the spice trade is more emphatically obvious in our own time, given the strategic importance of the land, the air space, the waterways, the oil, the people, and the other resources of the region. It has always been recognized that hostile domination of the Middle East could outflank Europe from the south, and block its access to Asia and Africa in any event.

Since leadership in the diplomacy of the Western coalition was of necessity thrust upon the United States after 1945, preventing Soviet domination of the Middle East has been perceived as a fundamental national security interest of the United States and later of the North Atlantic Alliance as a whole.

The Soviet Union began to challenge the Western presence in the area even before World War II ended. The Soviet campaign for the Middle East and Africa has been carried on at an accelerating pace ever since.

Until the invasion of Afghanistan in 1980, the Soviet campaign in the Middle East relied on a variety of techniques for promoting war and other forms of instability short of committing its own forces on a large scale: propaganda, subversion, the

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promotion and support of rebellion and insurgency against moderate or pro-Western states; terrorism; proxy wars; and above all, the exploitation of Arab hostility to the existence of Israel as a catalyst for war and for the establishment of regimes dependent on Soviet aid for survival.

Since the liquidation of European empires in the Middle East, the states of the area have been weak, unstable, and divided by intense rivalries, providing ample opportunities for Soviet mischief-making. Those opportunities have been eagerly embraced through activities which impair regional stability. Despite some setbacks, the Soviet campaign has made great progress since 1945. It has now reached a critical point, directly threatening Iran and therefore the entire region of the Persian Gulf, the Arabian Sea, and the Levant. Unless the United States and other leading nations take effective action to protect their common interests in the Middle East now, irreversible change may well occur. Moreover, despite the peace between Egypt and Israel, the Soviet Union continues effectively to use Arab hostility to Israel as a major instrument of its policy.

The most flagrant example of direct Soviet force projection is, of course, the occupation of Afghanistan. Soviet capabilities for further force projection into the Middle East/

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Southwest Asian region remain high. In addition, extensive Soviet military supply to South Yemen, Ethiopia, and Libya -- which have joined together in a treaty of cooperation -- has increased the potential for major regional conflict. The Soviets have persistently sabotaged the effort to achieve peace between Israel and its Arab neighbors. Major Soviet support for Syria and the PLO provides the USSR with leverage on the peace process and has enabled those clients to pursue policies in Lebanon hostile to Western interests. The rapid growth of Soviet cadres in Iran and Soviet efforts to draw closer to the present regime in Iran are also cause for concern. A Soviet thrust for Iran would have catastrophic consequences for our interests in the Persian Gulf and Turkey.

2. The Middle East and the envelopment of Europe

The Soviet drive for dominion in the Middle East is a phase of a much larger plan, the central idea of Soviet strategy: the domination of Western Europe. One of the first consequences of Soviet control of the Middle East, including North Africa, would be that Europe could be enveloped from the South. Preventing Soviet domination of the Middle East is therefore part of the defense of the southern flank of NATO, as the North Atlantic Council recognized in 1967. Such domination would provide Soviet access to air and naval facilities from which Soviet power could be projected into southern Europe; it would bring pressure upon

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our NATO allies to accommodate to the new "correlation of forces" by withdrawing from the military arm of NATO; and it would deny the energy resources needed to turn the wheels of industry in Europe.

3. Stable and secure access to regional oil supplies

Secure access to the oil resources of the Persian Gulf, particularly those in Saudi Arabia, is critical to the United States and its major allies. The Persian Gulf is the major source of the world's oil exports. Loss of Saudi oil to the Soviet Union or other hostile powers would undermine our security worldwide and risk splintering the NATO alliance. These oil resources are highly vulnerable to military threats arising out of the Iran/Iraq conflict, from radical states in the area, and especially from Soviet or Soviet-inspired direct and indirect military action. It is clearly in the US interest to deter any such attacks.

3. Improving US military posture in the region, including access to military facilities

Especially since the fall of the Shah, the magnitude and immediacy of the Soviet threat in the Middle East makes it essential that the United States -- preferably with some of our allies -- cooperate closely with friendly countries in the area to deter Soviet aggression and if necessary to defeat it. Most of the states in the region are weak, vulnerable both to attack and

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subversion, and unstable. In addition to the provision of security assistance, a strong US presence in the area will be required if the US is to project sufficient military capability to deter Soviet aggression. It is therefore in the US interest to maintain a strong naval presence in the area, to obtain access to strategically located bases and staging areas, to pre-stock equipment, and to develop a military command, control and communications, and logistics infrastructure which would be compatible with US tactical force capabilities if we have to respond in a crisis. In order to counter the Soviet threat, it is now necessary to have a permanent military presence in the area.

4. Security of Israel and other friendly states in the region

Israel is a major ally in the region -- from the military point of view, by far our most important regional ally. The United States is fundamentally committed to the protection of Israel's security and to the preservation of Israel's qualitative edge and its ability to defeat any combination of hostile forces in the region. A strong and secure Israel is essential to regional peace and stability, and an integral part of the strategic consensus necessary to deter Soviet aggression in the Middle East. At the same time, it is equally in our interest to cooperate with friendly Arab countries in maintaining their security, and to be perceived by these countries as a reliable security partner, in

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order to deter aggression by the Soviets and their proxies. Israel is vital to our security interests in the Eastern Mediterranean, and Saudi Arabia to our interests in the Persian Gulf. The only way to reconcile these two strong American interests in the region is to persuade the Arab states to follow Egypt's lead and make peace with Israel. Our commitment to the security of all of the friendly states in the region is essential if we are to succeed in influencing them toward a peace settlement.

5. Enhancement of the peace process

The achievement of peace between Israel and its Arab neighbors has been a major goal of US policy in the Middle East since 1948, and continues to be so. The framework for the peace process is UN Security Council Resolution 338, which makes Resolution 242 mandatory and orders the states of the region to sit down "immediately" and negotiate peace in accordance with the principles of Resolution 242. For present purposes, the two key features of Resolution 242 are: (1) that Israel need not withdraw from any of the territories it occupied in 1967 until the states of the area make peace; and (2) that under the peace agreements Israel need not withdraw to the 1949 Armistice Demarcation Lines, but to "secure and recognized boundaries."

Until now, peace between Israel and its neighbors has been blocked -- save in the case of Egypt -- by the Arab conviction that the Palestine Mandate and all that flowed from it was

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beyond the powers of the League of Nations and the United Nations and therefore that the Arab states are not required to obey Security Council Resolutions 242 and 338. The Arabs regard Israel as a standing aggression, a military occupation of what they regard as Arab territory, and an "armed attack" on the Palestinian people.

Thus what we call "the peace process" in the Middle East consists of our effort to get the Arab countries to carry out their legal obligations by following the lead of Egypt in complying with Resolutions 242 and 338. As one part of this process, we seek to implement the Camp David agreements, which establish peace between Israel and Egypt and contemplate the possibility of five-year transitional arrangements of limited autonomy for the West Bank and the Gaza Strip (which are unallocated parts of the Palestine Mandate) until Jordan can be induced to make peace with Israel. The extension of the peace process to include other Arab states, notably Lebanon, Syria, Saudi Arabia, and Iraq, will be essential if Western interests in the region are to be protected.

6. Preventing the spread of nuclear weapons

The further proliferation of nuclear weapons, in the Middle East or elsewhere, constitutes a serious threat to United States security interests and international peace and security.

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The potential for proliferation is both a symptom and a cause of tension in the Middle East. The acquisition of nuclear weapons by unfriendly regional states would not only directly threaten US security (e.g., access to oil), but seriously complicate the search for peace in the region and increase the risk of nuclear confrontation with the USSR. Thus, preventing the proliferation of nuclear explosive devices or of the capability to manufacture or otherwise acquire such devices remains a major US objective. To this end, the United States has encouraged states in the region to adhere to the Treaty on the Non-Proliferation of Nuclear Weapons and to accept expanded IAEA safeguards coverage. In addition, we have supported UNGA resolutions endorsing the principle of a Middle East Nuclear Weapon Free Zone (MENWFZ) and have sought to cooperate with other suppliers of nuclear materials to ensure that any nuclear exports into the region do not contribute to instability.

Since President Reagan's statement of July 19, 1981, the United States has emphasized the necessity for general and regional stabilization as essential preconditions for success in the effort to carry our non-proliferation policy forward. The manifest force of that thesis is nowhere more evident than in the volatile and vulnerable region of the Middle East. It is obvious that the MENWFZ project, which is supported both by Egypt and by Israel, has no chance of acceptance until the Arab states

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carry out the mandate of Resolution 338. It is equally obvious that the unpredictable and uncontrollable threat of nuclear proliferation is a powerful influence in favor of peace.

7. Even-handed approach to Israel and the Arab countries

In order to exert our influence effectively in the Middle East, it continues to be in our interest to pursue an even-handed approach toward Israel and friendly Arab countries in the area. In order to develop the strategic consensus necessary to protect the region and its resources from penetration by the Soviets and their proxies, and in order to advance the peace process, it is essential that the United States be perceived by both Israel and friendly Arab states of the area as equally concerned over, and committed to, their security. During the last year, this rule has been violated a number of times. The result has been unfortunate.

III. Current United States Strategy

The United States is pursuing these objectives in a region where the Arab-Israeli dispute divides our close friends and where the Soviets and their proxies threaten our vital interests. United States strategy in the Middle East is to seek both peace and security simultaneously, under the assumption that progress toward each of these goals supports progress toward the other.

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If our friends are more secure they will be more able to take risks for peace and if there is progress toward peace, the cooperation that is vital for security will be easier.

During the past year we have been working to develop a consensus among Israel and the Arab states aimed at preventing the growth of Soviet influence in the area and at providing a foundation for bridging traditional hostilities between our friends. A recent example of this policy is in Lebanon where, in cooperation with Israel and Saudi Arabia, we have succeeded in arranging a ceasefire which, however fragile, reduces somewhat Syrian dependence on the Soviet Union.

One of the most important ongoing aspects of the peace process in the Middle East today is cooperation between Israel and Egypt. President Reagan has affirmed his personal commitment to the Camp David agreements and the process they have set in motion. We believe the decision by Egypt and Israel to resume autonomy talks is a necessary step to further this process. At the same time, we must recognize that these talks cannot in themselves lead to peace, but can at best only keep the process alive in the interim until Jordan is ready to make peace.

Our policy is also designed to support the independence of the nations in the Middle East, and to support positive regional security arrangements such as the Gulf Cooperation Council. To

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implement this policy, we have been placing more emphasis on security assistance, including transfers of some of our modern military equipment to both Israel and the Arab countries. In Saudi Arabia, the air defense enhancement package is intended to provide better protection of Saudi oil fields, improve US leverage in encouraging the Saudis to support the peace process, and increase US ability to respond rapidly to military events in the region. Saudi Arabia has been by far the largest single purchaser of US military equipment, services, and construction. Saudi purchases will increase even further over the rest of the decade, primarily as a result of the recently-approved US \$8.5 billion air defense enhancement package.

To strengthen both Egyptian will and capability to support the peace process, to help Egypt defend itself against Libyan adventurism, and to improve US-Egyptian relations, the US has committed itself to a major program of security assistance, including several hundred tanks, up to 80 or more advanced fighter aircraft, air defense missiles, naval patrol craft, and significant logistic support. In fiscal year 1982, we are making available about \$900 million in military sales credits to Egypt, of which about \$200 million is in the form of forgiven loans. For fiscal 1983, we plan to provide about \$1,300 million in military sales credits. This assistance is being accelerated as

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much as possible to demonstrate continued US support following the death of Sadat. Our assistance to Egypt helps to solidify resistance to pressures from radical Arabs seeking to disrupt the relationship with Israel. Egyptian ability to withstand such pressure depends in large measure on its confidence in US support. Failure to establish a basis for this confidence opens opportunities for the Soviets, their proxies, and other radical elements to increase tensions and to break up the consensus of interests necessary for achievement of US objectives in the region. Despite US efforts, Egyptian military leaders are frustrated by what they see as too slow a process of modernization and overdependence on the US as a sole supplier.

The United States also continues to be the largest source of military support for Jordan. In fiscal year 1983, we plan to provide \$75 million in military sales credits, a substantial increase over fiscal year 1982. We have also recently agreed to release to Jordan planning and review (P&R) data on F-16 aircraft. In addition, US arms sales to a number of other friendly Arab countries in the Persian Gulf and North Africa have been increasing.

US strategy in the Middle East depends to a major extent upon the creation of an infrastructure of military facilities which we could use if US forces are called upon in a crisis.

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These facilities must be complemented with pre-stocked equipment and logistic support. In addition, the effectiveness of the combined US and local forces will be significantly increased if all major components of the system are compatible.

For these reasons, we have reached agreement with several nations, and are pursuing negotiations with others, to provide us access to regional facilities during crises or for routine training exercises during peacetime. In some cases, it has been necessary to improve the existing facilities and infrastructure. Construction of these sites was initially funded in FY 1981-82 and is scheduled to be completed by the end of FY 1985. Our program provides nearly \$1.4 billion in military construction funding over the next three years, a 30 percent increase over previously programmed levels. We are not creating any new US bases, per se. Rather, we are improving existing facilities that we might use in crises or peacetime exercises and are arranging for prompt access when needed.

Egypt has offered to permit our forces access to its facilities at Ras Banas on the Red Sea, where we have undertaken a three-year construction program to build the capability needed to support surge operations. Improvements will include upgrading the airfield and port facilities and constructing a division-sized cantonment. Once construction is completed, access to Ras Banas

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in time of crisis may allow us to deploy forces near a potential conflict area much sooner than if we had to wait until we could directly enter the affected country. Apart from routine exercises with Egyptian forces, however, we plan to maintain no peacetime military presence in Egypt because of Egyptian sensitivity that an excessive US presence could be exploited by Mubarak's opponents.

We have reached agreement with Oman permitting the improvement of selected facilities for our use, primarily during crises but also in peacetime. These improvements include upgrading runways, taxiways, and aprons; constructing support facilities for personnel and maintenance; and prepositioning POL and munitions. Omani facilities could be very important for sea control and support of naval forces and could serve as staging basis for land-based tactical fighter and mine countermeasure operations to protect the Strait of Hormuz and the Arabian Sea.

The Government of Kenya has agreed to allow US forces access to its airfield and port facilities at Mombassa. We have been permitted limited use of the airfield to support operations by maritime patrol and fleet support aircraft, and will dredge the harbor channel to provide access for our aircraft carriers. Mombassa is useful for maintenance and refueling of our ships as well as for crew rest and liberty. In fact, it is the only significant liberty port currently available for our forces in the Indian Ocean.

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We have reached an agreement with Somalia that gives us access to Modadiscio and Berbera, a port with excellent growth potential near the strategically important outlet of the Red Sea at the Bab Al Mandeb. The agreement provides facilities for routine fleet support and maritime surveillance operations, and possibly a staging area for contingency operations.

The US has also supported overstocking of equipment in Saudi Arabia so that it would be available to US forces if they were called to action in that country. Both the US and Saudi Arabia have actively sought to establish an interoperable air defense structure for the lower Gulf states.

To balance this system of Arab facilities and strengthen the regional strategic consensus, the US has also initialed a Memorandum of Understanding on Strategic Cooperation with Israel which provides for use of Israeli facilities in an emergency as well as pre-positioning of equipment and supplies. We have delayed implementation of the MOU for the present, but plan to lift the suspension by April.

The United States is fundamentally committed to the security of Israel. Assistance to Israel is an important part of our attempts to develop a regional strategic consensus. In fiscal year 1982 we are providing Israel with some \$1,400 million in military sales credits, of which \$550 million will be forgiven.

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For fiscal year 1983, we plan to provide \$1,700 million, of which \$500 million is to be forgiven. These amounts represent our largest single military credit program.

Meanwhile, in the aftermath of the Israeli raid on the Iraqi reactor at OSIRAK, the US took a number of actions, some of which were directed against Israel: .

- a. We temporarily suspended shipment of four F-16 fighters to Israel.
- b. We joined a UN Security Council condemnation of the Israeli action.
- c. We successfully lobbied against the suspension of Israel from the IAEA, but unsuccessfully attempted to prevent a resolution which suspended technical assistance to Israel, condemned the Israeli "act of aggression" against Iraq, and called for further consideration of actions against Israel at the 1982 General Conference.
- d. The US also unsuccessfully opposed at last fall's UNGA an Iraqi resolution which declared that the Israeli attack on OSIRAK had adversely affected the prospects for establishing a MENWFZ and called on Israel to place all its nuclear facilities under safeguards immediately. This resolution was adopted by a vote of 107-2 (Israel, US), with 31 countries abstaining.

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e. The US redoubled its efforts to strengthen IAEA safeguards and reexamined the prospects for establishing a NWFZ in the region.

f. The US proposed to principal nuclear supplier countries several guidelines that should govern nuclear trade to the Middle East to reduce the chances that such exports would contribute to the potential for proliferation.

In reacting to Israel's extension of civil law to the Golan Heights, the United States worked against a UN Security Council resolution of sanctions and ultimately vetoed it. However, action was taken to delay implementation of the Memorandum of Understanding on Strategic Cooperation and to hold off on discussions of defense trade proposals potentially beneficial to Israel's defense industry. These include:

- Allowing Israel to use up to \$100 million in FMS credits annually to purchase defense-related goods and services produced in Israel;
- Promoting up to \$200 million annually in purchases by DOD of Israeli military equipment and services; and
- Permitting third countries receiving US FMS credits to use those credits to purchase Israeli produced items.

The US had made it clear that these actions in no way affect our security and economic assistance support for Israel or military equipment deliveries. Lifting of the suspension of the MOU is

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tentatively planned by April, when Israeli doubts about withdrawal from the Sinai and the efficiency of the peace process are likely to be the greatest.

Because of its enormous impact on regional stability, the issue of nuclear non-proliferation and a Middle East Nuclear Weapon Free Zone (MENWFZ) is generally accepted as an important component of any lasting peace. The existing nuclear situation in the Middle East clearly favors Israel, with Arab capabilities considerably less advanced. It is understandable that Arab states would view the establishment of a MENWFZ ambiguously. It offers the prospect of constraining the Israeli nuclear program, but also would involve direct negotiations with the Israelis (which is the current Israeli and US position). For the present, the Arabs believe that the price of Israeli recognition is not worth the benefit of obtaining Israeli acceptance of a NWFZ. In addition, however, an unconstrained Israeli nuclear program does provide a justification for the Arabs to match the Israeli nuclear capability. The Arabs would like to neutralize the Israeli nuclear deterrent, but are not prepared to take steps toward peace that would be necessary for the Israelis to be willing to adhere to the NPT or accept the MENWFZ. Some Arabs would prefer to neutralize the Israeli program by obtaining a comparable nuclear capability. For their part, the Israelis appear willing to enter

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MENWFZ negotiations with no preconditions, but have made clear they would not accept controls over their nuclear program until there is peace.

The MENWFZ issue arose last year in connection with the annual Egyptian-sponsored resolution at the UN when the Egyptians refused to include language suggested by the US stating that a MENWFZ could not be achieved until after a peace agreement had been concluded. The US did not ultimately insist on this language, nor did the Israelis.

On December 22, 1981, the President directed that pending the outcome of this study, the US would not link the establishment of a MENWFZ to the peace process. While all accept that a MENWFZ is inconceivable until there is peace, the US did not press this position with the Egyptians during last fall's UNGA. (The Egyptians agree with us in principle, but were concerned that acceptance of this view in the resolution would have called into question the sincerity of their present efforts to promote progress on a MENWFZ; and would have given the impression that states in the region were free to pursue whatever nuclear goals they may have pending the establishment of a MENWFZ.) In addition, those who support our current position believe that suggesting any linkage could result in efforts by others to impose a MENWFZ as a precondition to peace -- and further complicate existing efforts to implement UNSC Resolutions 242 and 338.

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IV. Effects of Current Strategy

Through our arms transfers to friendly Arab states and arrangements for increased access to military facilities in a number of these countries, we have been trying to improve our ability to prevent the Soviets and their client states from extending their influence in the Middle East. In this way, we believe, we could improve our ability to maintain secure access to Middle East oil. Whether our programs are as yet sufficient to assure these ends remains problematical. Moreover, in pursuing these objectives, US actions have raised Israeli fears that we have abandoned our commitment to an even-handed policy in the Middle East, increased the risk of Arab-Israeli hostilities, and jeopardized the peace process. These anxieties have been increased by our actions against Israel in response to Israeli moves which we perceived as threatening to the security of Arab states and the peace process. At the same time, we have made no sustained effort to encourage Arab states not involved in the peace process to comply with UN Security Council Resolutions 242 and 338. Since these actions in the United Nations and elsewhere were based on dubious or erroneous legal theories, they heightened Israeli concerns and strengthened Arab perceptions that United States policy towards Israel was being reversed. This impression was fortified by the fact that in the pursuit of our nuclear non-proliferation objectives, we have not exerted our influence to insure that the

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Egyptian proposal for a Middle East Nuclear Weapon Free Zone be linked to the peace process -- a necessary prerequisite for Israeli acceptance of such a zone. And in our efforts to advance the peace process itself, we have concentrated our attention on the Camp David agreements in relative isolation from the broader framework for peace envisioned in Security Council Resolutions 242 and 338.

Before discussing our overall approach to Middle East peace, we should examine briefly the issue of linkage between MENWFZ and the peace process. Our current position does not recognize the basic interaction between these two issues. Israel will not place Dimona under IAEA safeguards or adhere to the NPT in the absence of a Middle East peace concluded pursuant to Security Council Resolutions 242 and 338. The Israelis have told us that they would not take these steps in the absence of such a peace agreement, and the unwillingness of the US to accept this position could over the long run undermine Israeli confidence in US support for its security. Further, our current position fails to impress upon Arab states that they must make peace with Israel if they expect Israel to accept constraints on its nuclear program. On the other hand, it is possible the Arab states will not sign a peace treaty as long as Israel retains a nuclear deterrent. This does not mean that Israeli nuclear concessions must be a precondition for peace, but that the issues of peace and non-

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proliferation may have to be resolved at the same time. Our current position of opposing any linkage between non-proliferation and the peace process fails to recognize the fundamental relationship between these two objectives: that resolving the nuclear question will be essential in the context of arriving at a peace settlement pursuant to UNSC Resolutions 242 and 338 -- whether the nuclear question is resolved after a peace agreement or simultaneously with such an agreement.

The US emphasis upon the Camp David Accords was certainly merited in the context of the Israeli-Egyptian rapprochement. Under current conditions, however, it is imperative that we focus on the success of Camp David as but the first step in what ultimately must become a comprehensive settlement of the legal status of both Israel and the Palestinian Arabs on the West Bank and in the Gaza Strip. These are the fundamental issues which prolong and exacerbate the potential for conflict in the Middle East, and these are the issues which must be addressed in a broader framework, taking into account the interests of Israel, Lebanon, Syria, Jordan, Egypt, and Saudi Arabia, as well as the Palestinian Arabs on the West Bank and in the Gaza Strip. While it may not be possible to draw some of these into the peace process, it is essential that at least Israel, Jordan, and Egypt participate. This was the concept envisioned in the Camp David

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Framework for Peace in the Middle East, and it is to this concept that we must now return.

The objective realities upon which this proposition is based are as follows. First, hopes for an autonomy arrangement under current conditions are fading. The Sinai withdrawal will be completed April 25, at which time a major incentive for Israeli-Egyptian cooperation will have been removed. Furthermore, since the autonomy talks as currently being conducted include only Israel and Egypt, and since significant progress on this issue was not forthcoming in the best of times, it is highly unlikely that significant progress can be made in the present narrow forum.

It is therefore essential that peace talks be expeditiously expanded to include Jordan and that the United States make every possible effort toward this end. New American initiatives in this direction will go far to convince both the Arabs and the Israelis that the US is serious. Failure to do so will mean business as usual, with the very real possibility that the momentum of the peace process will be lost, perhaps forever.

The second reality underlying the urgent need for a broadened peace initiative centers on the kind and duration of peace we seek to achieve. Peace in the Middle East this past nine years has

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resulted first and foremost from the strength of Israel. US security assistance to Israel has, in turn, been part and parcel of the sinews of Israeli military capability upon which this peace is based. An Israel clearly superior in conventional military capability has served as a deterrent to war in the Middle East.

The problem with the current situation is that an armed truce is no substitute for serious peace negotiations. The clear superiority which Israel currently enjoys, including that in the nuclear area, may not always be there -- a fact which Israel perceives better than anyone else and which was a factor in extension of civil law and administration to the Golan Heights and its continued occupation of the West Bank. The political costs of the current armed truce put the United States in a difficult position with respect to the Arab World.

A third reality necessitating expanded autonomy talks is heightened Israeli apprehension under current conditions. One measure of Israeli insecurity is the continuing allocation of one-third of its budget to defense. Another is indicated by the military actions recently deemed necessary for security, such as the raids on Iran, Syrian missiles, and the PLO Headquarters in Beirut. Finally, it must be recognized that Israeli nuclear activities reflect grave concern that this Ultima Ratio Regis may

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be necessary. These Israeli attitudes reflect a lack of confidence in the existing situation, and especially the degree to which they can rely upon the United States.

The aftermath of the Israeli raid on Iraq's nuclear reactor is a case in point. The suspension of the F-16 shipment and US support for the Security Council resolution were strongly resented by the Israelis, who maintained that the strike on OSIRAK was vital to their national security. Israel was offended by what it perceived as the lack of US support during a critical period. The US had in fact shared its concern over the Iraqi nuclear program in confidential exchanges with the Israelis in late 1980. Although the President pointed out in his June 16 press conference that Iraq had never recognized Israel, the UNSC resolution did not mention Iraq's failure to accept Resolutions 242 and 338 as the basis for a Middle East peace. The President also stated that Israel may have genuinely believed the attack was a defensive move. However, the UNSC resolution failed to reflect this point. In addition, the US action repudiates the legal theory justifying US behavior during the 1962 Cuban crisis. In that case, the US based its actions on the right of legitimate self-defense against a perception of threat, even though the Soviets did not conduct an armed attack against us. The US did support Israel on this issue at the IAEA and during the fall UNGA, but this was not sufficient to offset the sting of the F-16 suspension and the June

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Security Council condemnation. Although the US/Israel relationship remains strong, the long-term consequences of such Israeli views may be negative for a number of US interests, such as Israeli acceptance of non-proliferation measures (e.g., NPT adherence, expanded IAEA safeguards, establishment of a MENWFZ) and enhancement of the overall peace process. The Israelis certainly do not view our response as even-handed.

The net effect of recent US actions has been to deepen Israeli fears and suspicions. A growing bipartisan group in Israel perceives a dramatic change in US policy amounting to a reversal of alliances. In its extreme form, this appears as a virtual sell-out of Israel in favor of the Arabs. In view of their own history, and repeated Arab statements that Israel is the primary enemy, it is difficult for the Israelis to interpret US security assistance to Arab states as part of a strategic consensus defending the region against the Soviet Union. At a time of growing Arab military strength and of increasing Israeli isolation at the United Nations and elsewhere, these misperceptions of US intentions have produced a volatile atmosphere surrounding Israel's relations with the Arabs. Under these conditions, there is a real possibility that the Israelis will make desperate attempts to protect their interests by military means.

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The final reality necessitating intensified comprehensive peace efforts is the fact that, despite US efforts to date, no Middle Eastern state save Israel and Egypt has committed itself to the UN-mandated peace process, although the Fahd peace plan had certain promising aspects. In our reactions to this plan, however, we never tied the Saudi proposal back to UNSC Resolutions 242 and 338. Instead, we have continued to place heavy reliance upon implementation of the Camp David Accords establishing peace between Egypt and Israel, while neglecting vigorously to pursue both Resolution 338 making Resolution 242 mandatory, and those provisions of Camp David dealing with the broad framework of peace in the Middle East based on those resolutions. It was also felt that in providing arms, including some of our most advanced weapons, to the Arab countries, we would contribute to their sense of security and thereby provide them sufficient confidence to engage in the peace process. This aspect of our policy has not yielded dividends. In view of these realities a reconsideration of our strategy is essential.

V. A Proposed Strategy

In order to maximize our ability to achieve our national objectives in the Middle East, it is essential that we enhance our capability to counter direct or indirect aggression by the Soviet Union. Since the time of President Truman, every President of the United States, with the full and repeated backing of the

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Congress, has declared that preventing Soviet domination of the Middle East is a vital national interest of the United States. The United States is committed by the Middle East Resolution of 1957, as amended in 1961 -- the so-called Eisenhower Doctrine Resolution -- to use armed force as the President deems it necessary to protect the territorial integrity and political independence of all the states in the area against the aggressive policies of the Soviet Union. The guaranty of the Eisenhower Resolution has been invoked several times in behalf of countries in the region, and American armed forces have been stationed there at intervals in order to deter the threat of armed attacks. The North Atlantic Council has also declared on several occasions that Soviet hegemony in the Middle East would threaten the security of NATO.

Unless we develop and carry out an adequate political-military program for achieving stability and security for the West in the Middle East, none of our other objectives for the region will be within our reach. At least since the fall of the Shah in Iran, a strong Western military presence in the area has been essential. Establishing such a presence is necessarily the first step to be taken in seeking to accomplish the larger goals of our Middle Eastern policy. To that end, a fresh effort and a much stronger one is needed, on a crash basis. It goes without saying that what we plan for the Middle East must be closely related to plans of comparable coherence and energy for other parts of the world.

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In carrying out such a Middle Eastern policy, we should work not only with friendly or potentially friendly regional states but with European allies, Japan, Australia and New Zealand, and perhaps certain other countries as well, especially some in Latin America. The entire Western world has the same stake in preventing Soviet domination of the Middle East. We have had a successful Middle Eastern policy of concert with our allies and other friendly powers in the past -- notably in the early 1950s, before the Suez crisis of 1956, and in the period 1966-1969. An effort to build as large a base as possible for allied solidarity in the Middle East should be a major element in our program. So far as NATO is concerned, the Harmel Resolution of 1967 provides a suitable procedure for organizing allied cooperation in the Middle East. It was written and adopted with Middle Eastern problems in mind.

At the same time, it is also essential that we make every effort to resolve the Arab-Israeli dispute, which the Soviet Union is attempting to exploit and which jeopardizes our fundamental interests in the area. As long as Israel's right to exist is questioned by most of its neighbors, and as long as the future of the Palestinian Arabs on the West Bank and Gaza Strip is unresolved, tensions will continue to exist, and could increase to the point of war, even to nuclear war.

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If we are to prevent a renewal of Arab-Israeli hostilities, we must pursue a strategy which more closely integrates our approaches to arms transfers, arms control, and non-proliferation with the peace process. Our approaches in these areas should not be treated in isolation and must be based on the fundamental principles on which US policy was originally based if we are to minimize the risk that decisions will be made on the basis of expediency. Under this integrated strategy, priority attention must be focused on compliance by all Middle East countries with UN Security Council Resolutions 242 and 338. We should work closely with Arab countries which put forth their own peace plans, such as that of Prince Fahd, in order to encourage them to negotiate their positions with the Israelis pursuant to the Security Council mandate.

US approaches to non-proliferation and arms transfers to the region should be integrated with the effort to move the peace process forward and designed to advance this process. This strategy is based on a recognition that unless there is steady forward movement beyond the implementation of the Camp David agreements to involve other Arab countries in the peace process, there is a very real risk that Egyptian interest in actively pursuing a broader peace settlement after the return of the Sinai in April 1982, will not be sustained. The key to settlement of the Palestinian problem is the participation of Jordan.

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Working together, Israel and Jordan could solve the Palestine problem. Experienced observers believe that Saudi participation is not impossible, and that, in the end, even the Syrians will join in the process. Without further progress in the peace process there is a greatly increased risk of renewed hostilities between Israel and the Arab countries. Such hostilities would seriously jeopardize, if not destroy, our ability to achieve other major United States interests in the region -- prevention of Soviet penetration, secure access to oil resources, improved US access to military facilities, and the prevention of the use of nuclear weapons in the region.

Under this integrated strategy, our approaches to non-proliferation and arms transfers with respect to Israel and the Arab states will be measured against the same standard -- the extent to which the actions of these countries advance or inhibit the peace process. Only then will our actions meet the test of being balanced and even-handed.

In the area of non-proliferation, we must recognize that resolving the nuclear problem is necessary to establishing a permanent peace in the Middle East. We must equally recognize that establishing and safeguarding peace is essential to the solution of the nuclear weapons problem. We should declare that the actual establishment of a MENWFZ could not precede the conclusion of a final peace settlement. We should encourage the

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Israelis to condition their willingness to take steps toward negotiating a MENWFZ on Arab states' willingness to participate actively in the peace process. We should also emphasize to Arab states that negotiating peace with Israel is the best approach to obtaining Israeli adherence to a MENWFZ.

We must continue to provide conventional arms required by Israel and Egypt for their self-defense as long as they are committed to the peace process. At the same time, new sales of major weapons systems to Arab countries not supporting the peace process should occur only when such sales contribute to regional stability and are balanced with respect to our support for Israel. We must make clear to the Arab states that new sales of major systems will depend heavily on their willingness to participate actively in the peace process, leading to an explicit acknowledgement of UN Security Council Resolutions 242 and 338. The application of this approach will require a high degree of sensitivity to conditions in each of the Arab states and appropriate differentiation in terms of the particular weapons system and the particular country. We will have to guard against the possibility that, if pressed too hard, this approach could lead the moderate Arab countries to turn to other arms suppliers, or even the Soviet Union. The approach must be most stringently applied to Jordan and Saudi Arabia, since the participation of these two countries is most critical to further progress in the

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peace process. The Lower Gulf states -- Oman, the UAE, Bahrain, and Kuwait -- are likely to be strongly influenced by the actions of Saudi Arabia. While efforts should be made to engage Morocco, Tunisia, and Somalia in the peace process, they have little influence on events in the Middle East, and their attention is focused on their own local disputes, as is Iraq's.